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TO RUEHC/SECSTATE WASHDC IMMEDIATE 6990
INFO RUEHKK/ARAB ISRAELI COLLECTIVE PRIORITY
RHEHNSC/NSC WASHDC PRIORITY
RUEATRS/DEPT OF TREASURY WASHDC PRIORITY
RUEHBS/USEU BRUSSELS PRIORITY

C O N F I D E N T I A L SECTION 01 OF 02 JERUSALEM 000512

SIPDIS

SIPDIS

NEA FOR FRONT OFFICE; NEA/IPA FOR
WILLIAMS/SHAMPAINE/STEINGER; NSC FOR ABRAMS/DORAN/WATERS;
TREASURY FOR SZUBIN/LOEFFLER/NUGENT/HIRSON

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TAGS: [ECON](#) [ETRD](#) [EINV](#) [EIND](#) [KWBG](#) [TU](#) [IS](#)
SUBJECT: GAZA INDUSTRIAL ZONE TALKS BY TURKS CONTINUE
DESPITE PALESTINIAN "INERTIA"

REF: A. 06 JERUSALEM 495

[1](#)B. ANKARA 220

Classified By: Consul General Jake Walles, Reasons 1.4 (b) and (d).

[1](#)1. (C) Summary: Turkish business interests continue to promote plans to revitalize the Palestinian Industrial Free Zone (PIFZ), but progress has been slow, according to the Turkish DPO. President Abbas has reportedly agreed that Presidential Guard forces will guard the zone's perimeter while a private Turkish security firm maintains security within the site. The Turkish government has agreed to provide security training and other support for the Presidential Guard. Turkish backers of the plan still need a concession agreement from the PA. They will also seek favorable terms for zone products to access US and EU markets. End Summary.

[1](#)2. (C) In a March 8 meeting, Turkish Consulate General Deputy Principal Officer Ali Riza Guney described the 2005 Ankara Forum initiative to revitalize the Palestinian Industrial Free Zone (PIFZ)(reftel A) as the "utmost priority item" in Turkish talks with Israelis and Palestinians. (Note: The PIFZ was formerly referred to as the Erez Industrial Zone. End Note.) Guney estimated that the cost of preparing the zone area will total about USD 20 million, including repairing the damage due to IDF incursions in mid-2006 and Palestinian looting. Necessary improvements to the Israeli terminal at Erez, through which raw materials and products will pass, may cost an additional USD 2 million. The zone will host 50-60 workshops and employ at least 6,000 workers.

Some Progress

[1](#)3. (C) Guney said that January 2007 talks in Tel Aviv and Jerusalem between Turkish business federation TOBB representatives and Israelis and Palestinians had gone well (reftel B). He described Israeli business interests as ready to move forward. Gaza businessmen have identified sectors which could benefit from the zone. Although some technical differences on security planning remain, Israeli Minister of Defense Peretz remained "involved and very positive" about the project, according to Guney. Despite "a full green light" from PA President Abbas, Guney characterized the Palestinians as suffering from inertia. Lack of progress on a PA concession agreement for investors is particularly frustrating, he said. Guney noted that interest from

international donors had been waning since the formation of a Hamas-led government in March 2006. For example, the Japanese have turned their attention to the Jordan Valley. (Note: Palestine Industrial Estate Development Company (PIEDCO) General Manager Nedal Ismail told ECONoffs March 15 that his organization is concerned about scarce resources going to rebuild the Erez zone when the underutilized Gaza Industrial Zone (GIE) near the Karni/al-Mintar crossing has greater existing capacity and future potential. End note.)

Security Arrangements

¶4. (C) President Abbas and the Israelis have agreed that the perimeter of the zone will be controlled by the Presidential Guard, according to Guney. Abbas asked Turkey to train 500-600 Presidential Guards, although not necessarily for the purpose of guarding the zone. The training will have a "train-the-trainer" component, involving 50-60 Presidential Guard officers. (Note: The USSC currently is not involved with this Turkish training initiative. End note.) In response to another Palestinian request, Turkey will donate 10,000 uniforms to the Presidential Guard. Guney said the Palestinians "fully accept" the proposal that a private Turkish security firm will be responsible for security within the zone.

¶5. (C) The Israelis have expressed concern about the location of the zone, suggesting that it be moved a bit further south. Guney said this would involve the confiscation of Palestinian private land. This issue has not been raised with the Palestinian side.

¶6. (C) Guney reported that his government is in the process

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of identifying an Arabic/English-speaking Turkish military officer serve as a liaison officer to the USSC. (Note: The Turkish officer will work from the Turkish Consulate General and will not be a member of the USSC team. End note.)

Next Steps

¶7. (C) Guney stated that further progress on the initiative depends on securing three agreements: (1) the concession agreement from the PA to help sell the project to investors; (2) Israeli and Palestinian agreement on all security arrangements for the zone; and (3) a "trade facilitation" agreement, with US and EU support, granting special duty/tariff exemptions for goods produced within the zone. Guney suggested that, under such an agreement Turkish content, would be treated as local content. Guney said that TOBB intends to rent an office in Jerusalem in order to have a local presence to move the project along.

WALLES